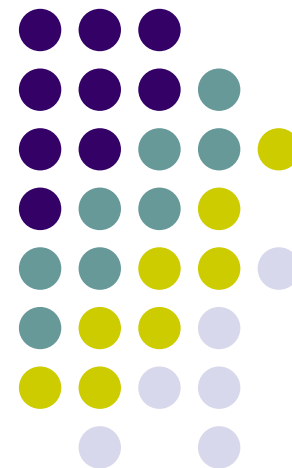


CPUC Regulatory Requirements for RETI

Stakeholder Steering Committee
October 29, 2007





Overview

- **CPUC procurement and transmission responsibilities**
- **History of CA transmission planning and permitting**
- **Consideration of cost-effective resource alternatives**
- **Transparency and documentation requirements**



CPUC Oversees IOU Renewable Procurement and Transmission

CPUC Must Ensure Development of Cost-Effective Renewable Transmission and Generation

- CPUC is responsible for overseeing renewable procurement by the investor-owned utilities (IOUs) and permitting IOU transmission lines.
- Pursuant to statute, IOUs are required to procure the most cost-effective renewable resources, taking into account the transmission and other costs associated with bringing those resources to the grid.

History of Transmission Permitting

Adoption of renewable policies (e.g., RPS) has dramatically changed the transmission planning and permitting environment

- Pre-2000 (prior to RPS legislation) - transmission planning and permitting focused on addressing system reliability.
- Post 2000 – DPV approved based on economics; Tehachapi approved based on need to interconnect renewables – and more to come.
- Today – Given aggressive RPS goals, CA needs to proactively identify and evaluate multiple renewable transmission projects.
 - CPUC needs to consider system reliability, renewables and economic benefits when permitting multiple transmission projects.

Ideally, RETI will address system reliability, renewables and economic benefits, which will assist CPUC in permitting process



Cost-Effective Resource Alternatives Must Be Considered

PU Code Sec. 1002.3 requires the CPUC to consider cost-effective alternatives to transmission facilities, such as:

- Cost-effective demand-side alternatives (e.g., energy efficiency)
- Ultra-clean distributed generation
- Other demand reduction resources
- **Only demand-side resources?**



RETI Must Be Transparent Process

RETI analysis must be transparent if it is to be used in a CPUC transmission permitting proceeding

Ideally, RETI methodology and analysis would be developed using the following criteria:

- Utilize market data and publicly available data to the greatest extent possible
- Reflect relevant regulatory decisions where applicable
- Applied consistently when evaluating multiple CREZs/transmission projects
- Adjustments to model inputs, assumptions, and methodologies must be transparent and documented
- Pursuant to statute and CPUC rules, any models used must be publicly available, user friendly, and well documented